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ECONOMIC LINKS BETWEEN RUSSIA AND CHINA: FROM CROSS-BORDER TO INTERREGIONAL COOPERATION (THE CASE OF SVERDLOVSK REGION AND HEILONGJIANG PROVINCE)

The article considers major trends in the cooperation between Russia and China on the regional level. China is one of Russia's main trade partners, which makes it particularly important to enhance the efficiency of this relationship on the national as well as on the regional level. Considering the dynamics of international integration processes, the authors analyze how the role of cross-border and interregional cooperation is changing over time, paying special attention to those regions that are remote from each other.

The article focuses on the case of Sverdlovsk region and Heilongjiang province. The available data demonstrate the diversity of the existing trade and other relations between these industrial regions and enable the authors to characterize the institutional framework for this cooperation, its key priorities and problems. A general overview of the current and prospective joint projects is also provided. The authors compare economic specialization, systems of settlement, the level of urbanization of Sverdlovsk region and Heilongjiang province and draw a conclusion that the economies of these regions are complementary.

The article also points out that it is essential to consider the long-term effects of Eurasian integration projects and to assess the positive and negative impacts of the Belt and Road Initiative on Sverdlovsk region in order to identify priorities for the region's foreign policy.

Keywords: cross-border and interregional cooperation; Sverdlovsk region; Heilongjiang province; complementarity of regional economies; drivers of cooperation; Belt and Road Initiative; Steppe Road

Introduction

Economic and political relations between Russia and China have a long history. The first state-owned caravan was sent from Moscow to the Qing Empire in 1698. The state-controlled trade between Russia and China was opened via the Russian town of Kyakhta on 25 August 1728. By 1762, when Russian merchants were allowed to trade freely with China, the Sino-Russian trade relationships had been firmly established. In the final years of the Russian Empire, China was seen as an important trading partner: in 1913, it accounted for 2.1% of Russian exports and 6.1 % of imports [12]. Russia was also one of the largest foreign investors in the economy of North-East China in the early twentieth century. Nowadays China continues playing a significant role as one of the most important Russian partners in political and economic spheres. As the G20 Summit showed, both countries have similar approaches to the issues of global governance and to global economic reforms.

In the recent years, China has been one of Russia's leading trade partners, ranking second in terms of its share in Russia's total export in 2014 and 2015 (Table 1).

Table 1.

External merchandise trade of the Russian Federation, main partner countries, share in exports, %¹

Ranking position	Country	2000	2005	2010	2015
1	Netherlands	4,2	10,2	13,6	11,9
2	China	5,1	5,4	5,1	8,3
3	Germany	9,0	8,2	6,3	7,4
4	Italy	7,0	7,9	6,9	6,5
5	Turkey	3,0	4,5	5,1	5,6
6	Belarus	5,4	4,2	4,6	4,5
7	Japan	2,7	1,5	3,2	4,2
8	Kazakhstan	2,2	2,7	2,7	3,1
9	Poland	4,3	3,6	3,8	2,8
9	USA	4,5	2,6	3,1	2,8
10	Ukraine	4,9	5,1	5,8	2,7
	Total	100,0	100,0	100,0	100,0

Chinese goods have occupied the first position in the structure of Russian imports for a long time. The share of China in Russian imports reached 19,1% in 2015, which is approximately one-fifth of the total Russian imports (Table 2).

Table 2.

External merchandise trade of the Russian Federation, the main partner countries, share in imports, %², calculated by [1, 2]

Ranking position	Country	2000	2005	2010	2015
1	China	2,8	7,4	17,0	19,1
2	Germany	11,5	13,4	11,7	11,2
3	USA	7,9	4,6	4,9	6,3
4	Italy	3,6	4,5	4,4	4,6

¹ Russia and Countries of the World, 2016 // Federal State Statistics Service. Retrieved from http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1139821848594; Russian Statistical Yearbook, 2016. // Federal State Statistics Service. Retrieved from http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1135087342078

² Russia and Countries of the World, 2016 // Federal State Statistics Service. Retrieved from http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1139821848594; Russian Statistical Yearbook, 2016. // Federal State Statistics Service. Retrieved from http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1135087342078

5	Belarus	11,0	5,8	4,3	4,9
6	Japan	1,7	5,9	4,5	3,7
7	France	3,5	3,7	4,4	3,2
8	Ukraine	10,8	7,9	6,1	3,1
9	Poland	2,1	2,8	2,5	2,2
9	Turkey	1,0	1,8	2,1	2,2
10	UK	2,5	2,8	2,0	2,0
	Total	100,0	100,0	100,0	100,0

Although Russia's foreign trade turnover declined by 4% in 2016, its foreign trade turnover with China increased by 4%. At the same time the exports decreased by 2%, while the imports rose by 9%. China's role as Russia's main trade partner has grown significantly in the recent years largely due to the pressure of the sanctions and the increasing complexity of the international environment, impeding Russia's cooperation with Western and Eastern European countries and with North America.

Economic interactions between the border territories of Russia and China go back a long way. The integrated economic space started to evolve in the nineteenth century on the territory of the Amur River basin, which includes northeastern China and southern regions of the Far East. The idea of implementing ambitious infrastructure projects in the border areas was actively discussed in the 1980s. The Program for Revival of Northeastern China and the final demarcation of the Russian-Chinese border stimulated the development of cross-border cooperation in the twenty-first century. However, despite the importance of cooperation in the transboundary area, it should be noted that the north-eastern regions of China and south-eastern regions are peripheral areas, remote from major national economic centers. This objectively limits the possibilities of their interaction and the capacity of emerging markets.

In these conditions, relations between regions that are not bound by the limitations of their peripheral geo-economic position are particularly significant for bilateral cooperation. These circumstances determined our research objective, namely, to identify current trends, problems and prospects of economic relations between two specific regions in China and Russia – Heilongjiang province and Sverdlovsk region. On the one hand, these regions have a similar economic base and a long history of interaction, but on the other hand, they do not have a common border. Sverdlovsk region is one of the largest economic and industrial regions of Russia and is located on the border between Europe and Asia. Heilongjiang province is also one of the largest industrial areas in the country, situated in the north-east of China.

Conceptual framework

The theoretical framework of this paper comprises several areas of research. The first area deals with the fundamental analysis of trends and problems of China's economic transformation based on the integration of market-related and planning principles [1, 2, 3]. This analysis seeks to reveal the institutional mechanisms of economic integration on national and regional levels and demonstrates that institutional frameworks should take into consideration differences in institutional norms on the national level as well as institutional and cultural characteristics on the regional level. For example, H.Cai and D.Treisman examine the link between political decentralization and economic development in China by focusing on economic interactions on the regional level and their potential for expansion [4].

Another area of research centers around the current state of Russian-Chinese economic cooperation [5, 6, 7]. These studies identify the key problems of cooperation and demonstrate how these issues may affect interregional economic ties. For example, D.A.Izotov and V.L.Larin investigate the evolution of

cooperation in frontier regions of Russia and China and describe the major limitations for the dynamic development of this border zone [8, 9]. T.Chen focuses on the problems and prospects of economic cooperation between Heilongjiang province and Russia [10].

Since our study concentrates on specific regions of Russia and China, it requires us to consider particular features of economic development in these regions. I.D.Turgel, A.A.Pobedin, O.M.Trofimova, A.V.Ruchkin and N.K.Shemetova identified the key characteristics of economic, social, and cultural development of Sverdlovsk region [11]. N.V. Usova, N.Y.Vlasova, and E.G.Animitsa studied the development of the region's largest cities, which are the spatial centers of interregional interactions [12, 13]. Jinping and Yuge Ji point out specific trends in the development of economic relations between Heilongjiang province and Russian regions [14].

Considering cooperation between regions that do not have common borders, it is particularly important to analyze the strategy of creating cross-border railways and to assess the impact of railways on specific countries, regions, and cities. It is also essential to conduct comprehensive assessment of Eurasian integration projects to gain a more in-depth understanding of the prospects of economic cooperation between Sverdlovsk region and Heilongjiang province. Among these projects, the most important is the project of the economic corridor China-Mongolia-Russia. I.V.Stavrov, S.V.Wanabe, and S.Zhang described complex characteristics of this project and assessed its socio-economic impact [15, 16, 17]. S.Halper discussed the political risks involved in this project and made a forecast concerning the geopolitical situation and interaction between the world's key economic centers, given the current pace of China's economic development [18].

A.V.Sharyshev highlights the importance of sustainability in Russia-China strategic partnership in the context of the global political and economic situation [19].

Sverdlovsk region and Heilongjiang province: resources, economic specialization, and system of settlements

Sverdlovsk region is a dynamically developing part of the Russian Federation. Located on the border between Europe and Asia, it is rich in natural resources and has a solid scientific and human potential. It is also a center of industrial production and a major transportation hub. The area of the region is 194.3 thousand sq. km; population is 4327.4 thousand (as of 01.01.2015)¹. Sverdlovsk region ranks fifth among Russian regions by population. Ekaterinburg serves as the 'capital' of the Ural Federal District, which Sverdlovsk region is a part of.

Sverdlovsk region is one of the largest in Russia and in the world in terms of its proven and projected reserves of minerals. This abundance of natural resources has naturally led to intensive industrial development: ferrous and nonferrous metallurgy, construction industry, chemical industry, gold mining, jewelry industry, and so on. By the total volume of the gross regional product, the region consistently ranks among the top ten regions of Russia.

The region also occupies a top position in terms of shipped industrial products, wholesale and retail turnover, services, housing construction, and investment. In the structure of gross regional product in 2014, the main economic sectors were manufacturing (27.2%); wholesale and retail; repair of motor vehicles, motorcycles, household goods and personal items (21%); real estate services (11%); transport and communications (9,6%).²

Another characteristic of the region is a high level of urbanization and the developed system of settlements. There are 47 cities; 26 working settlements and urban villages; and 1,841 villages in Sverdlovsk region. Ekaterinburg is the administrative center (population 1445.7 thousand people); the distance from

¹ Russian Statistical Yearbook, 2016. // Federal State Statistics Service. Retrieved from http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1135087342078

² Russian Regions. Main characteristics of Federal Subjects, 2016 // Federal State Statistics Service. Retrieved from http://www.gks.ru/bgd/regl/b16_14s/Main.htm

Moscow is 1,667 km. The population density is 22.21 people per sq.km, which is significantly higher than the average density in Russia. 84.5% of the population is living in urban areas¹.

In contrast to Sverdlovsk region, Heilongjiang province lies on the borderland; the length of the border with the Russian Federation is more than 3,000 kilometers. Most of the border runs along the Amur and Ussuri rivers. Twenty-five open river ports of the province are located on the banks of these rivers. Heilongjiang, along with Liaoning and Jilin, belong to the north-eastern economic region of China, which is the most industrially developed area of the country. The share of mechanical engineering and metallurgy in the structure of industrial production is higher than the national average. The region occupies a leading position in coal industry. Daqing oil fields, where commercial production began in the 1960s, constitute the largest oil field in China. Another important resource is wood: 45.7% of the area of the province is covered by forest². Historically, there are five basic industrial sectors of the province's economy: automotive, chemical, food, electronics and pharmaceutical industries. Recently, the province has also witnessed an upward trend in investment not only in the three major manufacturing industries (mechanical, oil, and food), but in the new industries, including the production of pharmaceutical materials, electronic information, and the production of new materials.

Heilongjiang province has 12 prefecture-level cities and 66 cities – centers of counties. The capital of the province, Harbin, is one of the main industrial centers of China. The city hosts industrial companies and enterprises of national significance, manufacturing electromechanical equipment, boilers, and steam engines. There are more than four thousand industrial companies, including famous manufacturers of equipment and components for power plants, tools, bearings, measuring instruments, aluminum-magnesium alloys, light aircraft, cable, medicine, new building materials, and so on. There are two economic and technological development zones: Harbin open area of new high technology development and Harbin open economic area. Harbin ranks eleventh among the fifty most developed cities of China in terms of its scientific and technical development.

Legal framework and institutional agreements of cooperation

The current institutional and legal framework for international cooperation comprises laws, agreements and organizations that regulate international interregional cooperation.

The following bilateral documents were signed between Sverdlovsk region and China, which enabled the regions to establish and maintain mechanisms for international cooperation:

1. The Agreement on Establishing Friendly Relations between Sverdlovsk region and the city of Harbin (April 22, 1991) and the Agreement on Cooperation between Sverdlovsk region and the city of Harbin (April 22, 1991).

2. The Memorandum of Understanding between the Ministry of International and Foreign Economic Relations of Sverdlovsk region and the Department of Economic Cooperation and External Trade of Xinjiang Uyghur Autonomous Region of the People's Republic of China (April 20, 2002).

3. The Agreement on cooperation between the Legislative Assembly of Sverdlovsk region and the Standing Committee of the People's Congress of Heilongjiang Province of the People's Republic of China (May 29, 2006).

4. The Declaration of Intention on Development of Interregional Cooperation between the Province of Shansi and Sverdlovsk region (November 20, 2013).

5. The Declaration of Intention on Cooperation between the Government of Sverdlovsk region and the People's Government of Heilongjiang Province (October 13, 2015).

Since September 2009, the Consulate General of the People's Republic of China has been operating in Ekaterinburg.

¹ Russian Regions. Social and Economic Indicators, 2016 // Federal State Statistics Service. Retrieved from http://www.gks.ru/bgd/regl/b16_14p/Main.htm

² Asia Data. Retrieved from: <http://asiadata.ru/?lang=ru&path=0:700:7:13:535:3518:126&id=3614>

Another important step was to establish air connections between Sverdlovsk region and China: since July 5, 2009, there have been regular flights from the international airport 'Koltsovo' in Ekaterinburg to Beijing. The 'Ural Airlines' company began to operate direct flights Ekaterinburg-Harbin in 2012. In 2015, there was an increase in the passenger traffic in comparison to the previous year: Harbin-Ekaterinburg – 18%; Moscow-Ekaterinburg-Harbin – 427%. The outcomes encouraged the government to take further steps to improve transport communications between Ekaterinburg and Harbin.

The government of Sverdlovsk region have been working actively with the government of Harbin to prepare an action plan to implement the Memorandum on Cooperation in Trade, Economy, Research and Humanitarian Sphere of 4 October 2005. There is a joint working group organized by both governments to implement cooperation projects. The first meeting of this group took place on 2 March 2016 at the site of the international exhibition center 'Ekaterinburg-EXPO' and resulted in signing of the protocol on cooperation.

Economic cooperation between Sverdlovsk region and China

Enterprises of Sverdlovsk region have established close ties with Chinese companies. In 2015, the region's trade with China totaled an estimated 860 million dollars, which made China second largest foreign trade partner of Sverdlovsk region. The indicators of trade turnover significantly increased from 663 million dollars in 2013 to 802 million in 2014 and to 860 million in 2015. In 2013, the share of China in the region's exports and imports started to grow. The given period also saw changes in the patterns of trade: for instance, the export of goods from Sverdlovsk region to China doubled from 182 million dollars in 2014 to 365 million in 2015.

The year of 2016, however, was characterized by somewhat negative dynamics in certain spheres: by the end of 2016, the trade turnover of Sverdlovsk region with China was 726.3 million dollars, which means a 16% decrease in comparison with 2015. Exports decreased by 2%, but imports increased by 10%. The decline in exports was due to an almost fourfold reduction in the supply of chemical products. In export, there was an increase in the supply of high-tech products. There was a also significant rise in the supply of mechanical and electrical equipment, optical devices, and engineering products. In particular, the export of Sverdlovsk machine building production to China has grown 2.5 times.

Mechanical engineering is one of the main areas of trade and economic cooperation between the companies of Sverdlovsk region and China. The following Ural companies export their production to China:

- Ural Electrochemical Plant (standardized products);
- research and production company 'VIP' (pressure sensors);
- 'Uralsmazavod' (metallurgical equipment);
- 'Artinsky Zavod' (agricultural tools);
- Ural Instrument Engineering Plant (aviation devices);
- research and production corporation 'Uralvagonzavod' (stable isotopes);
- plant 'Elektrokhimpribor' (stable isotopes).

In addition to export, enterprises of Sverdlovsk region actively import Chinese goods to manufacture their own products:

- 'Uraltermosvar' (components for welding equipment);
- Irbit Motorcycle Plant (engine parts);
- 'Triton-Electronics' (parts for medical devices);
- 'Ural Locomotive' (aluminum parts, welded metal parts);
- 'Fotek' (consumables and components);
- Machine-Building Plant n.a. M. I. Kalinin (spare parts for diesel trucks).

Furthermore, pharmaceutical producers in the region are also engaged in trade and other economic interactions with China. For example, Irbit Chemical Pharmaceutical Plant, 'Uralbiofarm', and

pharmaceutical plant 'Medsintez' purchase raw materials, auxiliary materials and production equipment required for their manufacturing processes.

Following the agreement with Harbin, Pervouralsk factory of complete metal designs 'Kometkon' and Harbin research-production enterprise 'Sy Hai' signed an agreement on joint production of machines for thermal and plasma cutting in 2006.

Another example of successful regional cooperation is the agreement between Harbin Turbine Plant and the Ural Turbine Plant. As a result, the latter supplied over 60 Ural turbines to China. Chinese production line of aluminum composite facade systems was established at the Factory of Composite Materials.

Chemical products accounted for the largest share of export from Sverdlovsk region to China in 2016 – 37% (there was a threefold reduction in the supply of inorganic chemical products). The share of metals and products was 21%, with ferrous metals (cast iron, ferroalloys, rolled steel, pipes) accounting for 1%; aluminum and aluminum-made products (sheets), 11%; and titan, 9%. The share of mineral products was 22% (mainly ore (16%) as well as asbestos and stone); engineering products (16%), including mechanical equipment (5%); electrical equipment, such as engines, transformers, and wires (6%); and optical instruments (4%). The exports of engineering products increased significantly and reached 29.6 million dollars. The supply of mechanical equipment has increased almost ten times; electrical equipment, over 6 times; optical devices, over 8 times.

Engineering products make up the main share of export from China to Sverdlovsk region: about 40% in the total export (10% increase), including mechanical equipment, 13% (pumps, construction machinery and equipment, metal working machines, food processing equipment); electrical equipment, 11% (engines and generators, television equipment and household appliances); vehicles, 4% (tractors and trucks, and their parts); optical equipment, 2%; metals and metal products, 21%, including ferrous metals and ferrous metal products, 9% (ferroalloys, rolled stainless steel, tubes); copper, 5%; instruments, 2 %; chemical products, 17% (plastic, rubber, inorganic chemicals, organic chemicals); textiles, 7%; mineral products, 1%; and other goods, 10%.

Another sphere of cooperation which holds great potential is the creation of a Russian-Chinese business park in Ekaterinburg to locate sales offices and warehouses of Chinese companies and Russian companies working with China. This business park is based in logistics terminal 'Chkalovsky'. The residents of the business park include the distribution center 'Vostok' and the whole-sale center 'Sima-Land'. Both of these companies deliver goods from Ekaterinburg to all regions of Russia, the CIS countries and Europe. In the nearest future, a showroom for companies from Heilongjiang province will also open on the territory of the business park.

China is one of the leading trade partners of Sverdlovsk region. The key indicators of the trade between Sverdlovsk region and China in 2011-2016 are shown in the following table (according to the data of the Ural customs).

Table 3.

Trade cooperation between Sverdlovsk region and China [1]

Year	Turnover			Export, million dollars USA	Import, million dollars USA	Balance, million dollars USA
	Million dollars USA	Share, %	Rank			
2011	780,5	6,0	4	199,3	581,2	-381,9
2012	687,7	5,5	6	142,4	545,2	-402,8
2013	663,0	6,3	4	113,1	549,9	-436,8
2014	802,7	7,2	4	182,3	620,4	-438,2
2015	860,6	9,1	2	365,8	494,8	-129,1
2016	726,3	7,5	4	182,0	544,2	-362,2

The trade turnover of Sverdlovsk region with China grew by 7%, exports doubled, and import decreased by 20% in 2015.

Cooperation in the sphere of science, education and culture is also developing. The Ural Federal

University, the largest university in the region and a participant of the Network University of the Shanghai Cooperation Organization, has more than twenty cooperation agreements with Chinese universities. One of such joint projects deals with research in polymer materials and 3D printing. Universities of Sverdlovsk region and Heilongjiang province also implement academic exchange programs. The Ural Branch of the Russian Academy of Sciences regularly participates in the International Innovation Fair, which is held annually in Guangzhou, Guangdong province.

Drivers of economic cooperation between Sverdlovsk region and Heilongjiang province

Due to its history and frontier location, Heilongjiang province has enjoyed a long-term trade partnership with Russia, thus gaining advantage over other Chinese provinces. At the same time, the region seeks to diversify its foreign policy and to develop cooperation not only with border areas but also with other Russian regions such as Sverdlovsk region [14]. The first international agreement between Sverdlovsk region and Harbin was signed in 1991, so 2016 marked the 25th anniversary of this cooperation.

This partnership can be enhanced by developing a better transport and logistics system. There are direct flights between Ekaterinburg, Harbin and Beijing. The Trans-Siberian Railway runs through Sverdlovsk region. Since March 2016, there has been a high-speed freight train running along the Trans-Siberian Railway between Harbin and Hamburg, which passes Ekaterinburg. Modern multimodal warehouse complexes and terminals are being built. An agreement with the Chinese post was signed a few years ago and the center for international postal exchange of the Russian post has already been created at the international airport 'Koltsovo'. Logistics operator 'Multimodal Container Service', specializing in transportation of export, import and transit cargoes from China, South Korea, Japan and other Asia-Pacific countries to Russia is operating in Ekaterinburg.

The project 'Russian-Chinese Expo' is expected to strengthen the bilateral economic ties between the two countries. Russian-Chinese EXPO was established at the international economic and trade fair held in Harbin from 1990 to 2013, which involved over 1,800,000 entrepreneurs from China and other countries. Harbin fair has received wide acclaim and recognition in China and abroad and has become the leading fair in the field of trade and economic cooperation between Russia and China. The first and second 'Russian-Chinese EXPO' events were held in 2014 and 2015 in Harbin under the motto: 'New platform – new opportunities'. The third EXPO was organized in Ekaterinburg in 2016 and attracted over 50 thousand visitors, with the total exposition area of 8500 sq. m. The exhibition featured more than 250 Russian and Chinese enterprises, and by the end of the event 24 agreements had been concluded, worth over 54 billion rubles.

According to the Memorandum signed in Beijing by representatives of the Ministry of Economic Development of Russia, the Ministry of Commerce of China and the People's Government of Heilongjiang Province. In the future, the Russian-Chinese EXPO will be held alternately in Harbin and Ekaterinburg. Due to the unique role played by Harbin and Ekaterinburg, for several years the Russian-Chinese EXPO has been a major platform for initiating large-scale projects and agreements in the sphere of economic and academic cooperation. The Declaration of Intention was signed at the second Russian-Chinese EXPO in Harbin. The Declaration was targeted at fostering cooperation between the two regions and resulted in establishing permanent working groups to enable entrepreneurs, experts, and economists communicate and promote joint projects.

The achievement of the Third Russian-Chinese EXPO was an agreement on trade, economic, research, technical and humanitarian cooperation. As a result, a mission of Heilongjiang province government will be established in Ekaterinburg. This cooperation agreement aims to create a framework for increasing the number of direct contracts between enterprises and for enhancing implementation of joint investment projects and cooperation in education, culture, tourism and healthcare.

The forum 'The Day of Business Cooperation with Heilongjiang Province', organized by the Ural Chamber of Commerce and supported by Sverdlovsk regional government and Heilongjiang province government, was held in Ekaterinburg in November 2016. The discussion focused on the prospects of cooperation in the high-tech sector. Currently, the Ural Chamber of Commerce is planning to organize an

interregional committee to stimulate trade and investment between Ural and China, which will also provide a platform for communication between Chinese entrepreneurs and representatives of the regional business community.

The Russian-Chinese Business Forum was organized as a part of the industrial trade fair 'INNOPROM' in Ekaterinburg in 2017. This event was attended by representatives from more than 180 enterprises of Heilongjiang province, working in the fields of agriculture, food, light industry, wood processing, information technology, engineering, construction, energy and, so on.

Another factor that could foster Russian-Chinese cooperation is the involvement of Sverdlovsk region and Ekaterinburg in the Belt and Road Initiative. The above-mentioned Russian-Chinese business park could be transformed into a large-scale logistics hub, which will allow companies to deliver goods through Sverdlovsk region from and to China. Along with the development of the Northern Sea Route, China will also benefit from the North-South Sea Route, which will allow this country to gain substantially in terms of trade.

Conclusion

1. The development of interaction between remote regions of Russia and China naturally resulted from cooperation between frontier territories, which, for objective reasons, always begins at the earliest stages of bilateral relations. Such interactions help the regions to overcome the limitations caused by their peripheral positions, to enter new markets, and to establish relationships with their distant neighbours.

2. To increase sustainability and efficiency of relationships between distant regions it is necessary to take into account both global factors and regional characteristics. The volumes of merchandise exports and imports are growing rapidly, but at the same time no similar steady positive dynamics is observed in the service trade and in mutual investment in the structure of Sino-Russian economic relations.

In 2015, China only ranked ninth in the total volume of Russian export of services (Table 4).

Table 4.

External trade in services of the Russian Federation, main partner countries, share in exports, %, calculated by [2, 3]

Rank	Country	2010	2012	2013	2014	2015
1	Great Britain	8,4	8,6	7,0	6,9	6,2
2	Switzerland	6,9	7,2	6,7	5,2	5,9
3	USA	7,6	6,6	6,1	5,6	5,4
4	Germany	6,5	6,2	6,5	6,3	5,2
5	Kazakhstan	3,4	3,1	3,2	3,1	4,9
6	Turkey	3,5	3,7	5,4	4,5	4,5
7	Ukraine	4,3	3,8	3,4	3,8	3,6
8	France	2,1	1,8	1,7	2,3	3,1
9	China	2,2	2,5	2,3	2,3	3,0
10	Netherlands	2,2	2,4	2,6	2,6	2,7
	Total	100,0	100,0	100,0	100,0	100,0

In the same year, China's share in Russian imports of services amounted only to 2%. China ranked eleventh among the main Russian trade partners (Table 5).

Table 5.

External trade in services of the Russian Federation, main partner countries, share in imports, %, calculated by [2, 3]

Rank	Country	2010	2012	2013	2014	2015
1	Turkey	6,5	7,3	9,1	8,0	7,5
2	Germany	6,4	6,6	6,3	6,2	6,3
3	Great Britain	5,8	5,5	5,3	5,2	5,8
4	USA	5,2	5,6	5,2	5,5	5,6
5	France	2,7	2,5	3,0	3,9	4,6
6	Switzerland	2,9	2,8	2,8	2,6	3,0
7	Netherland	3,2	3,1	2,8	2,9	2,8
8	Italy	2,1	2,6	2,7	2,8	2,9
9	Finland	2,7	3,3	3,4	3,3	2,7
10	Spain	2,2	2,6	3,0	2,9	2,2
11	China	1,9	2,0	1,6	1,7	2,0
	Total	100,0	100,0	100,0	100,0	100,0

Russia and China have an enormous potential for investment cooperation. At the moment, however, the volume of China's direct investments into Russia is insignificant. The same can be said about Russia's investments into China. Despite the rapid growth, the structure of foreign trade still remains undiversified, with Russia mostly relying on commodity exports.

3. Russia–China economic cooperation still remains mostly in the domain of the major state-owned companies because bilateral interaction between the two countries is traditionally based on large-scale projects in the power sector, military-industrial complex, construction of major infrastructural facilities, and so on [20]. Small and medium-sized businesses suffer from the administrative barriers and from the lack of culture-specific insightful information necessary for doing business in the other country.

4. Current factors and trends are reinforcing the role of Sverdlovsk region and Ekaterinburg in the cooperation with Heilongjiang province and China. Such factors include the development of transport and logistics infrastructure; involvement of Sverdlovsk region in the Belt and Road Initiative; exhibitions; creation of the institutional framework of cooperation; large-scale interregional projects; and so on. Ekaterinburg and Harbin are holding Russian-Chinese economic forums and intend to bring these forums to the global level.

5. It is necessary to implement the following steps to enhance the cooperation between Russia and China: to remove administrative barriers for investment, trade and relations between the countries; to diversify Russian exports to China; to intensify cooperation in tourism, transportation and innovations, focusing on the Belt and Road Initiative.

There is a need for further research in this area, particularly the impact of Eurasian integration projects on the development of Sverdlovsk region and Heilongjiang province and the long-term effects and risks of enhanced cooperation.

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